

**Management Advisory Report: The Probability of Meeting
Electronic Tax Administration Goals Remains Questionable**

Please note that the report is included in a separate Adobe PDF file for 2001-40-047 (Part 1). Also, Appendices VI through IX are included in a separate file (Part 3).

Appendix IV

Electronic Tax Administration Total Budget

Category	FY 1998	FY 1999	FY 2000	FY 2001*
A/C ETA	\$7,282,380	\$13,552,315	\$17,878,000	\$20,064,000
Marketing	\$5,000,000	\$8,000,000	\$13,000,000	\$16,000,000
Info Sysms	\$26,202,000	\$27,730,000	\$29,896,000	\$29,322,000
Staffing	\$33,308,000	\$35,527,000	\$40,062,000	TBD
TOTAL	\$71,792,380	\$84,809,315	\$100,836,000	TBD

*Note: FY 2001 data is projected.

Source: *Electronic Tax Administration, Senior Program Analyst*

**Management Advisory Report: The Probability of Meeting
Electronic Tax Administration Goals Remains Questionable**

What the future holds in store for Electronic Tax Administration

Attributes	Today's System	Tomorrow's System
Filing Options	Practitioner <i>e-file</i> Telefile On-Line Filing	Practitioner <i>e-file</i> Telefile On-Line Filing Internet Filing
Signature Requirement	Paper Jurat	Electronic Authentication
Forms and Schedules	Most Accepted	All Accepted (to the extent practicable)
Payments	Payments mailed separately - Form 1040V	Electronic Payments - Direct Debit/Credit Cards
Tax Notes	Paper Only	Electronic
Authorizations	Paper Forms	Electronic
Account Request	Paper or Telephone	Electronic On-Line Access

Source: 1999 A Strategy for Growth, Page 59

Management Advisory Report: The Probability of Meeting Electronic Tax Administration Goals Remains Questionable

Appendix V

Project Descriptions

Number	Title	Description
1	1040 Integrated Filing and Payment (ACH Debit)	Completed. Inclusion of a payment record as part of the electronic return. Perform applicable validation and consistency checks between the return and payment data and create appropriate acknowledgement data. Strip off accepted payment records, consolidate into payment file and transmit daily to the Financial Agent (FA).
2	Electronic Account Resolution	Providing that adequate security and privacy safeguards exist, the IRS will be exploring the use of E-Mail for resolving account related issues. Initially, the IRS will enable secure E-Mail communications with practitioners. Developmental work will then commence for electronic account resolution for taxpayers as required under the IRS Restructuring and Reform Act.
3	Accelerated Refund	Reduce by 50% the time from acceptance of an electronic return to issuance of the refund.
4	Integrated Filing and Payment by Credit Card	Inclusion of a payment record as part of the electronic return. Perform applicable validation and consistency checks between the return and payment data and create appropriate acknowledgement data. Strip off accepted payment records, consolidate into payment file and transmit daily to the Financial Agent (FA). Pilot credit card payments for 1040ES and 4868 payments.
5	Electronic POA, Electronic TIA	Analyze Form 2848, Power of Attorney and Form 8821, Tax Information Authorization, to determine what information needs to be captured and where it needs to be captured. Modify any forms and files determined to be impacted and coordinate any related programming and procedural changes. Scheduled to be included in Modernization release for 2001.
6	1040 Integrated Filing and Payment by TeleFile	Allow TeleFile balance due filers the option of authorizing a debit transaction to their bank account during the TeleFile call. Conduct survey either by providing an option at the end of the call or by mail asking for taxpayers' feedback. Modify payment option as needed.
7	Foreign Aspect Returns	Research the various types of foreign aspect individual income tax return filings to determine which are suitable for filing electronically and establish a schedule to add them to the e-file program. Also, develop an interface for the Electronic Management System (EMS) to receive and acknowledge Form 1040NR returns which are currently filed electronically at the Philadelphia Service Center.

Management Advisory Report: The Probability of Meeting Electronic Tax Administration Goals Remains Questionable

Number	Title	Description
8	More Forms and Schedules	Allow more attachments to the Form 1040 to be filed electronically to provide for a broader base of taxpayers eligible to participate in the program. Begin adding more forms related to investment and business activities, with the ultimate goal of allowing the majority of individual income tax returns that are prepared electronically to be filed electronically.
9	Combined Federal-State Acknowledgements	Identify requirements and develop the capability to receive state acknowledgement files, associate with federal acknowledgement files, when applicable, and load into EMS for retrieval by transmitters.
10	Federal-State TeleFile	Test the concept of allowing taxpayers to file both their federal and state tax returns in one phone call using the TeleFile system. Additional data required only by the state will be entered after the federal return is completed. Indiana and Kentucky participated in the prototype. Expand pilot to allow all eligible taxpayers in Kentucky and Indiana to participate in Federal/State filing. Pursue inclusion of other interested states as resources permit.
11	Tax Preparer Notes	Explore the feasibility of providing the capability for filers/taxpayers to include explanatory/voluntary information as part of the electronic return.
12	Electronic Substitute for Return (SFR)	<p>Research and evaluate the existing electronic substitute for return program and determine what improvements and enhancements are needed to make it completely electronic. Consider providing revenue officers and other applicable staffs with electronic filing software and laptops with modems to prepare and transmit substitute returns from the source. Develop plan for development and roll out system.</p> <p>Assess feasibility of developing a program to electronically generate a substitute for return to assist field employees. Analyze the requirement for replacing the A-6020B program that prints a substitute return for Forms 941 and Forms 940 based on systemic calculations. Currently the paper is manually processed. Analyze existing 1040 substitute programs for enhancements.</p>
13	State Only Filing	Allow state returns from participating filers for selected states into the electronic filing system for taxpayers who have an accepted Federal return on file. Put state returns on the State Retrieval System for retrieval by the applicable states.

Management Advisory Report: The Probability of Meeting Electronic Tax Administration Goals Remains Questionable

Number	Title	Description
14	1040 Combined Federal-State Payment	Provide the capability to transmit payment records for both federal and state Electronic Payment balance due amounts on the electronic return. Perform limited validation of state payment data. Develop new state payment record if necessary and modify ELF programs as necessary.
15	Electronic Transcript Delivery System (ETDS)	The Electronic Transcript Delivery System (ETDS) will automate the disclosure of taxpayer information to designated third parties that have been authorized by the taxpayer to receive their tax return information. The current transcript request process is labor intensive and paper-based and takes an average of 7-10 days for customers to receive the transcripts that they requested. The ETDS pilot will automate the process, ensure secure transmissions and return requested information within 24 hours. In the long term, ETDS will be part of the Modernization functionality/ architecture being developed in conjunction with the PRIME Alliance and is scheduled to be included in the release for 2001.
16	1065	Accommodate capacity and program requirements of legislative mandate in the Taxpayer Relief Act of 1997 requiring certain filers to submit Forms 1065 and Schedules K-1 electronically.
17	1120	Currently, there is no electronic processing system for Forms 1120. Develop plans to move these forms and schedules to some form of electronic filing.
18	1120S	In conjunction with the Form 1120 initiative, ETA will also explore electronic filing for Forms 1120S for subchapter S businesses.
19	1098 and 1099	Currently, Martinsburg Computing Center (MCC) receives 1098 and 1099 data electronically on the TBBS and on magnetic media. MCC also processes this data on mainframe programs. Develop EMS receipt of Forms 1098 electronically and in magnetic media for processing in proprietary format in ETD program in EMS.
20	7004 Internet	Currently the extension to file business returns is received only on paper. Extensions are usually requested for complex business returns. Develop a module in EMS to receive Form 7004 in proprietary format. Need to coordinate with EFTPS.
21	New 1041	Receive Form 1041 data electronically in proprietary format through EMS.

Management Advisory Report: The Probability of Meeting Electronic Tax Administration Goals Remains Questionable

Number	Title	Description
22	1041 Federal-State Replacement	Expand the participation of the 5 banks in New York to other geographical areas. Philadelphia Service Center has already initiated contacts with other interested parties. Using their information as a baseline, expand the participation accordingly.
23	2290 e-file/TeleFile Filing with Payment	Analyze existing data on Forms 2290. Define and develop Form 2290 e-file/TeleFile to allow filers of Highway Use Tax filing and payment. This initiative will no longer be required if pending legislation, which would require truckers to file and pay their Federal taxes concurrently with applying for their state licenses, is enacted.
24	990	Develop Form 990 in EFS and EMS in proprietary format. Identify the requirements for filing the series 990s electronically, to include via the Internet. Identify optimum alternative ways of filing, identify the targeted audience to include what the impact of "parent" organization may require.
25	TIN Matching for Government Contracts	DOD and other government agencies would like IRS to participate in joint effort to validate TIN and Name of companies and personnel to assure billing and security information is accurate.
26	5471 and 6166	Form 5471 – Information Return of U.S. Person with Respect to Certain Foreign Corporation. Form 6166 – Certification of Filing a Tax Return (used by corporations). Currently, both of these forms are received and processed at Philadelphia Service Center on their BBS and ECS. Develop EMS to receive both forms.
27	EXFIRS	Excise Fuel Information Reporting System (ExFIRS) is a Congressionally mandated automated fuel tracking system to facilitate monitoring and compliance of excise tax motor fuel laws. It is currently comprised of ten subsystems, some of which electronically collect motor fuel information as it passes into and through motor fuel terminals to predict potential company fuel volumes that can be compared to the filed Excise Tax Returns (Form 720). The subsystems also include the tracking of claims, fuel movement, export and import, dyed diesel fuel program, registration authentication, fuel fingerprint library, and state information sharing.
28	941 On-Line Filing (OLF)	Nationwide rollout of 941 On-Line Filing Program. This Program allows business filers to prepare and file Form 941 using a PC, modem and off the shelf software to transit tax returns to a third party transmitter and/or a Reporting Agent, who will then transmit to the IRS.

Management Advisory Report: The Probability of Meeting Electronic Tax Administration Goals Remains Questionable

Number	Title	Description
29	940 Integrated Filing and Payment	Pilot system to receive Forms 940 electronically accompanied with payment information for ACH debits and/or credits. Strip payment data and forward to a Financial Agent who will transfer funds and forward appropriate data to the EFTPS. Mandated payments not attached to a return will continue to be required and sent by the Financial Agent directly to EFTPS.
30	941EZ Internet	Identify system and software requirements to build a transactional internet to receive an abbreviated Form 941 for a target market via the internet. Requirements should include receipt and processing. All systems interfaces must be identified and developed, including returning acknowledgements to filers.
31	941 Integrated Filing and Payment	Accept receipt of electronic Forms 941 returns with electronic payment records for ACH debits at all 941 e-file locations. Payment records should be implemented for e-file, QLF and TeleFile programs.
32	940EZ Internet	Identify programming, system and interface requirements to receive and process a transactional internet product for Form 940EZ data.
33	940 e-file	Modify the BMF Trading Partner Interface in EMS to accept Forms 940 in EDI and proprietary formats. Build an interface with Business Customer Database for signature authentication.
34	940 On-Line Filing (OLF)	Identify requirements and build EMS module for receipt from transmitters and processing of Forms 940 in EDI format and interface with CDB. 940OLF will use the same programs (back end) as 940E-file. Include assignment of a new doc code to identify OLF returns for reporting and statistical analysis. Pilot accepting Forms 940 OLF in EDI and/or proprietary format in EMS at AUSC. Build automated interface with Business Customer Database for signature authentication.
35	940 TeleFile	Identify requirements and build a TeleFile module to accept Forms 940 via the telephone from pre-selected participants. The program could model the 941 TeleFile program and will use the same back end programs as 940E-file. Include assignment of a new doc code to distinguish TeleFile returns for reporting and statistical analysis. Pilot accepting Forms 940 via the TeleFile program to be processed at TCC.

Management Advisory Report: The Probability of Meeting Electronic Tax Administration Goals Remains Questionable

Number	Title	Description
36	943 Internet	Identify programming, system and interface requirements to receive and process a transactional internet product for Form 943 data.
37	945 Internet	Identify programming, system and interface requirements to receive and process a transactional internet product for Form 945 data.
38	STAWRS Single Point Filing	The IRS is piloting receipt of Form 941 data from the states of Montana and Iowa. Employers in these states will voluntarily submit paper and electronic Forms 941 containing both Federal and state data (payroll and unemployment).
39	STAWRS Harmonized Wage Code	A Harmonized Wage Code (HWC) data base, consisting of 96 Federal and state employment tax codes with analyses of their differences and similarities, has been completed. A targeted HWC which consists of the components most commonly affecting small employers has also been completed. The next step will be to publish a targeted HWC and apply it to at least one state employment tax code.
40	STAWRS One-Stop Customer Service (OCS)	OCS has created and maintained an Internet Gateway for linking customers to relevant government agencies. OCS will also streamline the Federal and state EIN process.
41	EFTPS Marketing	The IRS is broadening and enhancing its marketing campaign for EFTPS to encourage required taxpayers to enroll, enrolled taxpayers to use the system, voluntary businesses to enroll and use the system, and mag tape users to enroll and use EFTPS.
42	Magnetic Tape Deposit Elimination	The IRS will be eliminating the Mag Tape program for deposits in 2000.
43	Internet EFTPS	The IRS, in conjunction with Financial Management Service, is in the process of deploying a website for enrollments, payments and customer service.

Source: 1999 *A Strategy for Growth*, Pages 22-27